

Duane H. Gillman #1194  
**Durham Jones & Pinegar**  
111 East Broadway  
Suite 900  
P.O. Box 4050  
Salt Lake City, UT 84110-4050  
(801) 415-3000

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**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF UTAH, CENTRAL DIVISION**

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In re:	)	Bankruptcy No. 10-20334 RKM
	)	
Kiddie Kandids, LLC,	)	(Chapter 7)
	)	
Debtors.	)	Judge R. Kimball Mosier
	)	

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**AFFIDAVIT OF GIL A. MILLER RELATED TO SALE OF ASSETS TO CPI  
CORPORATION**

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STATE OF UTAH                    )  
  : ss.  
COUNTY OF SALT LAKE        )

Gil A. Miller, being first duly sworn, deposes and states:

1. I am a certified public accountant licensed in the State of Utah. I practice at the firm Rocky Mountain Advisory ("RMA"), with offices located at 215 South State Street, Suite 550, Salt Lake City, UT, 84111. I have been appointed by the Court as the Accountant to the Trustee in this matter.

2. I have been asked to review public data for the CPI Corporation ("CPI"), and consider their ability to purchase the assets of Kiddie Kandids, Inc. ("Kiddie Kandids") in the amount of \$2,600,000, without the need for additional financing.

3. In the course of my research I relied upon the following documents and support:

- a) CPI's financial statements filed with the SEC.
- b) Financial and equity market research, including historical stock pricing and dividend schedules for CPI.
- c) Investor and financial data reported by CPI to investors.

4. CPI background: As of February 2009, CPI owned and operated over 3,000 photography and portrait studios in the U.S., Canada, Mexico and Puerto Rico. They reported licensing agreements with both Sears, Roebuck and Co. and Wal-Mart Stores, Inc. where many of its studios are located.<sup>1</sup> In Fiscal Year 2008, CPI reported net sales of \$462,000,000.<sup>2</sup>

4. CPI's 10Q for the quarter ended November 14, 2009, shows CPI had cash and equivalents totaling over \$8,000,000.<sup>3</sup> CPI also had reported total assets in excess of \$181,000,000.<sup>4</sup>

5. CPI's 10K for the year ended February 7, 2009, states that borrowing capacity under the revolving portion of the credit agreement may be used to meet the obligations of CPI.<sup>5</sup> In 2007 CPI entered into a second amended and restated credit agreement which provided a \$115,000,000 term loan and a \$40,000,000 revolving credit facility.<sup>6</sup> As of November 2009, CPI had \$97,000,000 outstanding under the credit agreement.<sup>7</sup> In December 2009, CPI made a voluntary debt prepayment of \$19,000,000 toward the \$7,000,000 required payment, further reducing its debt obligation under the credit

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<sup>1</sup> CPI Corporation 10K for the year ended February 7, 2009.

<sup>2</sup> CPI Corporation 10K for the year ended February 7, 2009.

<sup>3</sup> CPI Corporation 10Q for the quarter ended November 14, 2009.

<sup>4</sup> CPI Corporation 10Q for the quarter ended November 14, 2009.

<sup>5</sup> CPI Corporation 10K for the year ended February 7, 2009.

<sup>6</sup> CPI Corporation 10K for the year ended February 7, 2009.

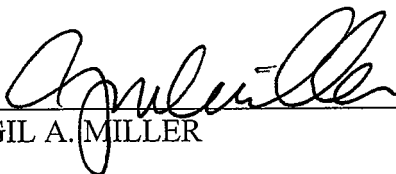
<sup>7</sup> CPI Corporation 10Q for the quarter ended November 14, 2009.

agreement.<sup>8</sup> This indicates CPI may have additional and available sources of cash outside of cash flow from operations, cash, and cash equivalents to meet the obligations of CPI.

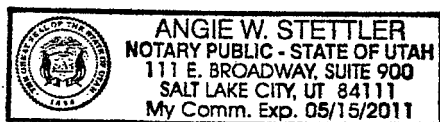
6. A CPI press release on February 8, 2010 announced the Board of Directors declared a first quarter cash dividend of \$.16/share. As of February 7, 2010 there were 7,008,490 common shares outstanding which would equate to a dividend payout in excess of \$1,000,000, the dividends were scheduled for payment on March 1, 2010. While not a direct indication of CPI's ability to purchase the assets of Kiddie Kandids without the need for additional financing, dividend payments can be a positive financial indicator of a company.

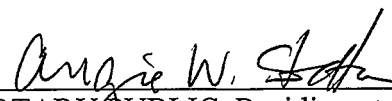
7. Although recent financial statements of CPI show a net loss from operations, other factors such as the cash and other asset balances, the possibility of additional available funding through its existing credit agreement, and positive financial indications such as the declaration of stock dividends, appear to show evidence of CPI's ability to pay \$2,600,000 to purchase the assets of Kiddie Kandids without the need for additional financing.

DATED this 26<sup>th</sup> day of March, 2010.

  
\_\_\_\_\_  
GIL A. MILLER

SUBSCRIBED AND SWORN to before me this 26<sup>th</sup> day of March, 2010.



  
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NOTARY PUBLIC, Residing at  
Salt Lake County, Utah

<sup>8</sup> CPI Corporation 10Q for the quarter ended November 14, 2009.